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INDIAN INDUSTRIALISM

BY

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WITH A FOREWORD

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A PREFATORY NOTE

It is the author's special fortune, that his handbook comes out at the most auspicious time in our national history when our chosen representatives in the councils and assemblies, will have earnestly begun their allotted services

The few following pages are intended to serve only as an introduction to the further study of Indian Economics

Among the problems that await solution at the hands of our constructive statesmen, we may count the question of Indian Currency and the Labour Problem, which are almost daily growing both in extensiveness, as well as in intensity. These two problems are purposely omitted in this handbook. The method pursued in the pages following, is calculated to be of some use to a beginner. The purpose will, it is feared, be marred, if the problem of Indian Currency, with its characteristic intricacy and complexity is included in this handbook. The Labour Problem is also excluded because it is so vast that it does not easily lend itself to be treated in a few pages of this size

The author, will thankfully receive any criticism from all sources.

The author avails himself of this opportunity of rendering his heartfelt thanks to the Hon. Mr Vaman Govind Kale of Poona, for his kind perusal and the foreword with which he has recommended the book to the public. He also thanks Mr. V. S. Ganapathi Aiyer for the kind and ready help and advice which were given, whenever required by,

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31—I—'21. }

The Author.

FOREWORD

For the past few years, the attention of the educated classes in India has been prominently drawn to the unsatisfactory economic condition of their country, and the public interest in the question of industrial development has not been overshadowed even by the intense enthusiasm felt for political reforms. The war has imparted additional significance to the popular movement for bringing about the country's industrial regeneration, and to the people's demand, that Government ought to play a more direct and active part in promoting economic development. The problem to be solved in a country like India, with its vast size, its large and varied population, and with its peculiar political and social conditions, is so complex, and is so surrounded with difficulties, that it will require all the effort, which the Government and the people can in active co-operation, bring to bear upon its solution.

A clear understanding of the conditions in which the work has to be done, is essential to the right direction, and success of the

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regions of Arabia and Egypt together with the ancient emporium of Aden. A third route ran from the Indian passes to the Balkh and from this by the Caravan road which skirts the Carmanian desert to the north reaching Antioch.

During the days of the Roman Empire, the important seaport town of Broach (also called Bharu Katcha and Bary Giza) imported gold, silver, glass, corals, and perfumes, while precious stones, muslins, cotton fabrics, ivory, pepper and silk were the chief articles of export. Students of European History know only too well, that one of the prime reasons for the degeneracy of the Romans in their later days was the importation of oriental luxurious products.

Coming nearer, Asoka's Buddhist mission to the far off Western world can very well be taken as a proof of the nature of the relations that existed between India and the West. That the Imperial system of espionage under Chandragupta Maurya owed its greatness to Persia, is but another fact that strengthens the conclusion arrived at already. It is admitted that the basic principle of the unique Caste system was division of labour. What classes of people constituted the

Vysia Caste will clearly indicate the extensiveness of Indian industry in those days

During the closing days of the Hindu period it is an undisputed fact that the greatness of the Chola, the Chera, and the Pandya Kingdoms was primarily due to the extensive nature of their foreign trade

Coming still nearer, the fact that Ghazni found it worth his while to invade India more than a dozen times to enrich his capital out of the spoils of India is proof enough of the opulence of the Indian people. That hordes after hordes of foreign tribes invaded India, when their own native homes could but ill-feed or half feed them, does but confirm our conviction

The trade and industry of India was not in the least affected by the changed dynasties that reigned over the destinies of the Indian people. That after a severe war "India plunged in thought again" is only partially true. If during a period of foreign invasions or internal civil strife, her industry was at a stand-still it should be admitted that it revived in all its ancient glory to once again attest her deep-rooted character and strength.

In fine, the famous pillar of Kutb, the reputed blades of Damascus made with Indian

crucible steel, the almost fabulous accounts about Dacca muslins and Kashmir shawls, the art of shipbuilding as revealed by the pen of Mukherji, the fact that Alexander was glad to accept a present of forty pounds of Indian steel from Porus, the truth that the Indians alone paid in gold the tribute to the Persian monarch, Darius, while all the others paid in silver the amount of truth that could be culled out from the descriptions of our poets and poetasters about our kings and palaces—these alone not referring to later instances may suffice to reveal the amount and the nature of our extensive trade in the gone ages of the golden past. Never until the advent of the British in India, was there any determined effort at undermining the Indian industries.

Our last remark may need some explanation. When the Mughal Empire was enjoying its plenitude of power and prosperity, ambassadors from Western courts humbly awaited the grace of the reigning Majesty to have a foot-hold of land at Surat, Calicut, Masulipatam and other Eastern seaports. Prior to this, Venice served as the intermediary between India and Europe. European nations fought against one another for supremacy in the East. The history of the Eastern trade

is one long record of bloodshed Treachery, fraud and cruelty flourished under the age of merciless competition The massacre at Amboyna is a standing disgrace to the European nations in general and to Holland in particular The prime cause for the formation of the English East India Company was the jealousy caused by the monopoly prices secured by the Dutch in their pepper trade The statement that trade begat war which in turn begat trade, is only too true of the history of the English, the French, the Portuguese and the Dutch in the seventeenth and the eighteenth centuries

Basing themselves on the halftrue notions of Mercantilism the European nations embarked on a career of wild adventure The havocs caused by the seadogs of England, the Spanish Armada, the Dutch war during the Commonwealth, the War of the Spanish succession, the Seven years' war, the War of the Austrian succession and the Napoleonic wars, were all of them due to one single motive—the mastery of the sea Supremacy of the ocean was the first requisite for a successful trade policy That nation which vindicated her supremacy over the sea, finally merged out as the greatest trading nation of the world or the nation of shop-keepers It is this mari-

time supremacy which enabled England finally to establish her dominion in India. From the date of the firm establishment of the East India Company on the Indian soil, begins a tale full of melancholy and misery.

So long as the Company remained a trading association, she was able to do no harm to Indian industries. The author should think that it was rather encouraged though indirectly. Even during the period when the East India Company gradually became masters of Bengal and other Provinces of the country, India stood forth as the emporium of the East. Bengal was still by far the most prosperous and wealthy in the whole country. Moorshidabad has been described by Clive as a city as "extensive, populous, and rich as the city of London with this difference—that there are individuals in the first possessing infinitely greater property than in the last city." Lyall remarks that one main reason for territorial acquisition in India was that in 1622 the goods bought in India for £356,288 was sold in England for £1,914,600. Sir Charles Davenant says "East Indian goods would bring yearly more treasure than could be got from Peru and Mexico to the value of six millions sterling." Alderman Beckford once expressed in the House of Commons his

hope that the rich acquisitions of the East India Company would be made a means of relieving the people of England from some of their burdens. Hence it will not be wrong if we conclude with Sir George Birdwood that "India has done everything for us—everything that has made these Islands as insignificant as the Islands that make up Japan—the greatest Empire, the world has ever known, and for this we owe undying gratitude to India."

Such a steady rise in the power and prosperity of England was in the nature of circumstances incompatible with honesty and righteousness. It had to be attended with some positive injury to Indian trade and industry. It is rather a painful task to waste one's energy on a description of the condition of India between the first and the second administrations of Clive. Suffice it to quote that "the consequence was that the whole country became a scene of confusion and alarm as if it had been suffering from the occupation of a hostile army." R. C. Dutt speaking of the period observes "the Englishman is quite a different character in India, the name of an Englishman is both his protection and sanction for offences which he would not dare to commit at home." Montgomery Martin writing in 1837 after the Parliament-

ary enquiry of 1832 says "under the pretence of Free Trade, England has compelled the Hindus to receive the products of the steam looms of Lancashire, Yorkshire, and Glasgow at mere nominal duties, while the hand wrought manufactures of Bengal and Behar, beautiful in fabric and durable in wear have had heavy and almost prohibitive duties imposed on their importation to England "

Besides these on the 17th March 1769 the controlling agency in England desired their servants in India to encourage the manufacture of raw silk in Bengal and to discourage that of manufactured silk fabrics and they also recommended that the silk winders should be forced to work in company's factories and prohibited from working in their own homes

Thus do we once again repeat our remark that never until the establishment of the East India Company on a firm basis was there any determined effort at undermining the Indian industries When the problem is thus considered the remark of Sir John Seeley will vanish away that "we cannot and do not hold India for our own pecuniary advantage We draw no tribute from it, it is not to us a profitable investment, we should be ashamed to acknowledge that in governing it, we in

any way sacrificed its interest to our own" From the foregoing consideration of the problem we cannot but conclude that the quotation and especially the last remark is but an ephemeral product of a passionate mind

The history of Indian industry after 1858 is soon told The Indian Government in its various attempts to improve the condition of the Indian peasant and the artisan has but very meagerly succeeded It is not the Viceroy and the Indian labourer but more often the Secretary of State and the Manchester merchants that decide the industrial problems of India After nearly 60 years of British rule (direct) in India, the administrators have not been able to gauge completely the depth of the industrial problem Of recent years the Government have been made alive to the existing needs of the country and the authorities have at least made promises, which the author fears are yet far away from fruition The problems are many and manifold They are so closely connected with one another, that an attempt to remedy one evil always drags along with it some more difficult problems The basis has to be altered Many are the solutions that are brought forward

and manifold are the difficulties that have to be surmounted when we fully realise the present condition of economic India

CHAPTER II

THE PRESENT CONDITION

To the already decadent nature of our industries is added the evils of the world conflagration, though they are not 'unmixed'. The export of the raw produce of India was slackened owing to the sea perils. Certain industries, such as dyeing, tanning, and others were forced to deteriorate. The industry of agriculture which is at present the only national industry cannot hope to continue to be so for long. We know the position of our cottage industries which have been forced in many cases to be closed through extraneous influences. Our hand loom weaving industry has considerably decayed. The harmonious combination of art with industry is not to be seen in its original glory. The total out-put of industrial capital in India is mostly financed by the white races. The Government of India's fiscal policy is not wholly advantageous. There is also a unique failure of most of the indigenous banking concerns. The labour

problem is becoming more difficult. The currency question holds but a dark and ominous future before it, if it is continued along the present or similar lines. The War has increased our national debt and our national resources gives not an optimistic solution to the problem. The Indian wage earner is practically nowhere in the world conditions. India has been reduced to and hence is at present mainly a country supplying raw products to the outside world while even for some of the necessaries of life she has to depend upon foreigners. The evils of the factory system are slowly showing their heads in India. There is then the question of mending the present educational policy. Organisation for anything is but in the most infant stage. These together with others constitute the present economic condition of the country and only a speedy remedy of these evils will again restore India to her rightful place among the nations of the World.

Turning to details let us first take the cotton industry. It is a matter well known to all that India was once able to produce a very fine texture which in its unbleached condition, looked more like silk than cotton. But owing to the establishment of cotton mills in several places and their increased demand for cotton

coupled with the export of raw cotton or cotton yarn, India has been disabled on the one hand to produce cloth of high counts and on the other to depend even for her ordinary wear on foreign markets. Though the production of fine cloths has not altogether disappeared, yet considering the present day tendencies, there is every likelihood for the disappearance of such. That India is slowly trying to consume more of her cotton within the country itself is admitted. But she has to work under many disadvantages (*c.g.*) higher cost of production, unfair freights and duties etc., so that the Manchester products are able to compete more successfully with the home made ones. Fortunately for India the war brought in some good. The decreased export of raw cotton or cotton yarn coupled with the general spirit of the age, resulted in a desirable increased consumption of cotton within India itself. This was further facilitated by the practical stoppage of Manchester goods.

But the circumstances have changed and the future looks gloomy. As the war has ended, it is quite likely that the great cotton centres of England will find every opportunity to flood the Indian market with cheap products, even though it may be at a loss for a few initial years. Hence it is urged that

India should strain every nerve to utilise her raw products more and more till she will be able to meet the whole of the home demand

It is readily understood that such an attempt would mean untold loss to England. It is also clear that such an adaptation would be met with new difficulties. The British manufacturer may even think it profitable to shift his centre to India itself and compete side by side with the Indian producer. Nevertheless it is prayed that the Indian Government will no longer obey the dictates of the Manchester merchants, but will at least see that India is given equal opportunities for furthering this important industry of hers

— *Silk Industry* — The production of silk, and the breeding of silk worms have been known to India ever since the days of the Mahabaratha. Palit observes "The earliest notice is in the Mahabaratha where Cheenas, Hoonas etc., are said to have brought silk and silk worms to Yudhistira" Sericulture as an industry is carried only in three tracts with some importance (1) The southern half of the Mysore plateau with the adjoining taluq of Kollegal in the Madras Presidency (2) The districts of Malda, Moorshidabad, Raj-Shahi and Bir-Bhun in Bengal (3) Kashmir and

Jamma Besides these Chota Nagpur, Orissa, and part of the Central Provinces form also minor centres

That the silk industry was mainly domestic and that it was carried on, on a large scale in Bengal could be gathered from the order of 17th March 1769, quoted in a previous page The same could further tell us how it was instrumental for the decline of the industry

With an era of peace consequent upon the transfer of the Company, the Industry has made some visible progress Yet there remains much to be done in this direction That Indian silk if manufactured under favourable conditions can compete successfully with any foreign product is evident to all Here too Government help will be essential and beneficial As the imports both of raw and manufactured silk amount to more than $3\frac{1}{2}$ Crores of rupees per annum, the matter is one of very considerable importance

The recent industrial Commission think, that it will be more useful to improve the conditions of those tracts in which Seri Culture is already an established industry, than to introduce it into new areas As the presence of disease is a standing menace to the

successful prosecution of the industry, the elimination of the disease should form one of the principal objects of reform. The Commission fully endorse the opinion and emphatically support the view that "sericulture is, and should remain a cottage industry."

As silk whether inferior or superior is becoming more widespread, it is one of deep significance, that the silk weaver should have recourse to special technical instruction. The primitive processes should be modernised. If such conditions should obtain, there is little doubt, that it will be restored to its former position, besides the fact that it will find occupation for millions.

Mettallurgy —Our readers might have already noticed that Indian steel was much prized in ancient days, from the remark made on a previous page about the tribute to Alexander and the blades of Damascus. The Rig-Veda gives us descriptions of chariots "armed with iron weapons of coats of mail, arms and tools of different kinds and of bright edged hatchets." The Silpa Shastra supplies us with the process of making steel from the ore as was practised in those days.

Copper was another of the many metals that were greatly utilised. Copper vessels are

known to India ever since the beginning of her history. With this we may also classify bronze. That this industry is dying out will be readily admitted. It is a sorry spectacle to see, that even the ordinary tumblers that are popularly used in houses have to be imported from Germany and other places. In the few localities where the industry still exists it is neither paying nor encouraged. If properly trained the artisans and the industry can hope to have a promising future.

It is in this connection that glass industry has to be treated. The present position and the future possibilities of this industry, have been made manifest at several quarters and on several occasions. That the people of this country have long been acquainted with this industry, can be made out from the glass anklets worn by our women. The manufacture of glass in India, is limited to a very few localities and their success during recent years, is at least as much due to the war conditions, as to other causes. While before the war, India was flooded with German glass, during the war and even to-day Japan has successfully stepped into the place of Germany and India suffers from the same disadvantages. We entirely concur with the opinion of the industrial commission that

“There is no reason why India should not be made self-supporting in the matter of lamp-ware of all kinds except of the very highest quality, why under proper technical and scientific guidance it should not be able to manufacture all the bottles, phials and jars”

Such a step seems essential from a consideration of our imports which amounted to 190 lakhs of rupees during 1913 to 14 and 150 lakhs during 1916 to 17. A serious consideration of the problem presents many difficulties, such as the nature and the extent to which raw material is obtainable, conditions of the climate, the supply of labour, the fixing of localities and the cost of production, besides the question of experts. The Industrial Commission seem also to favour the idea, that in view of the enormous expenditure involved in investigating into and improving the industry, Governmental interference would be beneficial and even necessary. Though the precarious position of the industry as it stands at present may lead some to conclude that a change in the fiscal policy of the Government for complete protection is essential, we do not favour the idea on other grounds to be discussed later. But we are emphatically of opinion, that tariffs should be employed, though

only so far as might seem necessary for the protection of the industry

The Aluminium Industry —The history of this industry is very interesting and an account of this has been given in the appendices to the report of the Indian Industrial Commission. It will be sufficient for our purpose to indicate here the necessity for furthering the industry

We owe an undying debt of gratitude to Mr A Chatterton who showed the possibilities of this industry to the Madras Presidency. Ever since the Government factory was sold to the Indian Aluminium Company formed by Mr Eardley Norton in 1903, the industry has made considerable advancement. From the statistics at our disposal which show a steady and appreciable increase in our import of Aluminium and from our experience of the rise in popularity of such vessels throughout India, we are led to hope for more such companies

Jewellery —Apart from the fact that the Rig Veda supplies us with golden chariots and armour and decorations of gold, we can well understand the position that this industry enjoyed in ancient days, from the personal descriptions about our kings which cannot be

wholly the work of poetic fancy That this industry has not completely disappeared is also well known Though the advocate of this industry will have to face a very serious currency problem, the melting of gold and silver, yet we are not for the total abolition of this and we hope that encouraging this wherever possible will never assume the dimensions of a serious menace

Tanning —This industry has assumed such dimensions to day that it does not admit of a superficial examination The establishment of factories in certain quarters has greatly strengthened the position of this industry The country has enough of raw materials to manufacture Raw hides and raw skins fetch higher prices in foreign markets and consequently there has been a considerable increase in export trade That India should not have been unknown to tanneries of considerable size, could be made out from a knowledge of the numerous cavalry employed by the Rajas and Chieftains of India, prior to British control Practically there is no village in India which does not possess its chuckler But these are able to produce only inferior sorts as they are averse to any change from the primitive processes The growth of modern

tanning industry has been mainly due to the necessities of the Military Department. Experiments in the manufacture of Chrome leather have often been made at various places and a general leather factory is working at Madras. Many died owing to the usual reason of not finding them profitable even at the outset. The war produced some good results regarding this industry. The increased military wants necessitated the Indian Government at the request of the War Office, to purchase the whole of their output, from the tanners. As a result of this, both the output and the prices increased.

Since the major portion of the raw material and even a large quantity of half tanned leather, goes out to foreign countries, and since the utility of importing these has been fully recognised by them, the problem of the future is "how to obtain for India a large share in the work of preparing her abundant raw material for the market." "The steady rise in the value of Indian hides in the years immediately preceding the war, may be reasonably accepted as evidence that the demand for the commodity was in excess of the supply, and it may be contended that the contributions to the world's markets which

India is able to make, is of sufficient importance to enable her to dictate, in what form it shall leave the country ”

Since first class work is altogether absent in India, experts and expert investigation seem essential to produce the result. The establishment of Governmental tanneries for the purpose of demonstration and training *will be a useful step, though subject to the condition, that they should be ultimately handed over to private enterprise*

As regards any legislation towards the improvement of the Indian tanning Industry, we see now and then a right move in the proper direction in the Imperial Legislative Council. May we hope that such attempts will be repeated and success achieved

PART II

CHAPTER I

AGRICULTURE

It is perfectly known to all, that India is the only country in the world which is purely agricultural. In our desire to increase the purely industrial capacity of India, it will be highly erroneous if we exclude this branch for the author is of opinion, that judging from the present condition of India, while other industries may be promoted, agriculture should not be allowed to decline. Hence the following suggestions in this treatise

I In old India what is to day called the "Economic Problem" was absent, for self-sufficiency was the rule. Empires were not unknown, but though the Emperors were despotic yet they were benevolent despots, checked by the counsels of the elders and the traditions of the land. The revenue they got was mainly derived from land, but the assessment was fixed for each year. Neither the proportion was large nor the assessments permanent. The State recognised private property, though not in the full sense the

term is understood in these days. The peasant could fearlessly apply his brain and tools to improve his farm.

2 Another cause contributing to the self-sufficiency was the village system. That the villages were free and independent republics, each holding its own against any encroachments, possessing its own council and court, its blacksmith, goldsmith, carpenter, washerman, doctor, barber, etc. is evident from the records that are still extant.

3 A third cause seems to be the prevalence of barter. Exchange in kind satisfying both parties was the rule. When exchange existed both ways, money and barter, the problem was a little keen. Logically when money has become the sole medium of exchange the problem is staring us in the face.

Apart from the absence of self-sufficiency there is another factor which together with the former constitutes the "Economic Problem" of to-day and that is, Competition. The ancient village depended for nothing on even a neighbouring one. But by slow degrees, the isolation of the village was broken, until to-day, there is keen competition not only within the country itself but also throughout the world. This world-wide competition, which

may be called the "highest bidder system" broke the isolation of the village, consequently of the nation, and thus started what is called the Economic problem in India. Agriculture necessarily fell into this trap, and hence the agricultural problem also began.

This was further intensified (by the decay of agriculture, caused by the growth of large cities. These cities attracted the population of the villages, by their alluring higher wages and better prospects. Hence this migration to cities resulted in the decline of agriculture. Labour became costly. The landlords were not prepared to increase their cost of production. Nor were they willing to adopt new scientific appliances. Hence agriculture declined, and the agricultural problem was intensified.

Since India has been thrown open to world competition, her agricultural raw produce goes out in enormous quantities even ignoring the intensity of the home demand. When thus India has been reduced to such a position, necessarily in most cases, the prices of Indian produce are fixed at London and other places outside India. The consequence is, that India is continually at a disadvantage, while it is easily exploited by foreign mer-

chants, planters, traders, and capitalists That India may yet hope for improvement in this department is plain enough But the remedy can never be materialised, unless and until there is a conscientious effort on both the parties—the government and the governed, the capitalist and the labourer, the landlord and the tenant In this age of pure and unalloyed materialism Ruskins and Carlyles will not be of much use No moral appeal can hope to obtain the desired effect The real remedy lies in ourselves Co-operation and education will be the panacea for everything concerning India in general and of agriculture in particular

In view of the chief drawbacks of Indian agriculture, small holdings and their scattered nature—and also because Ricardo's theory of Rent is not applicable to Indian conditions the following suggestions may well be taken note of —More agricultural Colleges should be started and popularised New and scientific methods of manuring and tilling should be taught New appliances should be introduced As in certain places, agriculture suffers through want of water, the Government should not postpone any longer the construction of new canals and tanks, and the repair of old ones

An agricultural expert should ever be willing to impart with his free and ready advice whenever necessary. If these things are assured, there is no reason why, the future of Indian agriculture should not look bright and prosperous. The export of raw produce might then be curtailed. The industries connected with agriculture might be fostered and thus much of her unnecessary import trade might be stopped. These will be realisable, only when Governmental help is coupled with the growth of Co operative movement in its various aspects

CHAPTER II

COTTAGE INDUSTRIES

The first of the needs for the industrial regeneration of India is the revival of her cottage industries. This self-evident necessity has been turned into a point of dispute by a few economists. The question that now stares us in the face may be stated thus—Is it possible and if so, is it advisable to revive our cottage industries?

For the first point of the question, the answer is necessarily in the affirmative. It is a well known fact that in the ancient days of

local autonomy and village self-sufficiency, cottage industry was the rule. It is also well known that our cottage industries have not wholly disappeared. Besides, it is clear enough, that if we allow the present condition to continue, our industries will be wholly wiped out of existence.

The system of large scale production with its necessary evil—the use of machinery—is slowly trying to establish itself throughout India. If this should be given a free hand to develop, it is quite certain, that the problem of pauperism, already made keen owing to other causes will be made keener. The examples of England and America, especially of the former, will be sufficient to convince any advocate of the system, of its ultimate evil nature. The capitalists of England and the statute books of White Hall, have had enough to do with the factory system, the necessary supplement of large scale production.

Side by side with this system, though in its infancy in India, the cottage industries especially these in connection with cotton do exist. There are many others which were either wholly or partially carried on in cottages, but which now find it almost impossible to continue. The famous mat industry

of Pattamadai, a village in the Tinnevely District has almost died out. The hand loom weaving industry at Viravanallur, another village in the same district, rests at present on a very precarious basis.

The causes for the decay of our cottage industries are manifold. Among them, we may enumerate, the decrease in demand for such articles, the presence of cheaper goods, the competition of the foreigner, want of proper encouragement, and the general rise in prices, which has forced the artisans to try their hands at other occupations.

Thus from a consideration of the difficulties, which the existing cottage industries labour under, and from a knowledge of the position that they enjoyed in the past and their possibilities in the future, taking into account, the Indian character and sentiment, together with the assurance that they still survive in certain quarters, the conclusion that it is quite possible to revive our cottage industries to their former position, seems inevitable.

The foremost reform that seems essential, is to teach the cottagers the principle of co operation. As this will be dealt at length, later on, it will be sufficient to put in here a

few remarks India is not wanting in men capable of doing such a task. If eagerness will strain itself to co-operate with earnestness, the duty will not be an unprofitable one. It will not be far wrong to observe in this connection that being ourselves, the rising generation of India, it will be a part of our duty to continue the work of our predecessors in this direction, and prove to the world at large, that it is quite possible to give life and spirit to the dying cottage industries of India.

More important than this question of possibility, comes the question of advisability. Here the rivals are Large scale production and Small scale production including cottage industries.

At the outset, we may remark that large scale production has proved a failure. Modern India naturally puts the question 'What the western nations do are surely good, otherwise how did they become so great?' The answer is and the answer has been proved 'The flash of lightning is intensely bright but only for a moment, look out, boys' it is dazzling your eyes. Beware.'

Prof Marshall rightly observes, 'Man's character has been moulded by his every day work and by the material resources which he

thereby procures more than by any other influence, unless it be that of his religious ideals, and the great forming agencies of the world's history have been the religious, and the economic which have nowhere been displayed from the first rank even for a time "

Every one will readily admit, that Indian industrialism, prior to the western influences which are forcing a mighty change into its normal and natural evolution, was the result of the Indian character, moulded by our material resources and our religious ideals

That ethics has been discarded completely from economics by the West, is an undisputed fact. It cannot be denied, that until the present school of economists rose in popularity, the older school believed and built their edifice on the fictitious foundation of the so called "Economic man"

This is also accounted as one of the reasons for the usual negligence, on the part of the older school of treating about the department of consumption in their treatises on economics. This need not be elaborated, for we know enough of Ricardo & Ruskin

In India, it is also a well-known fact that neither politics nor economics have ever been discarded from ethics, but that both have

always been guided by it. In support of this statement, we quote below two passages from Sir Henry Maine's "Ancient Law" "The religious element in the East tended to get the better of the military and the political. Military and civil aristocracies disappear, annihilated or crushed into insignificance between the kings and the sacerdotal order, and the ultimate result at which we arrive is, a monarch enjoying great power, but circumscribed by the privileges of a caste of priests"

It is further emphasised by another passage, which runs thus "The complete monopoly of legal knowledge (by the religious oligarchy) appears to have enabled them, to put off on the world collections, not so much of the rules actually observed, as of the rules which the priestly order considered proper to be observed. The Hindu Code, called the Laws of Manu is in great part, an ideal picture"

Thus to resume, as a result of our religious and social ideals, cottage industries flourished in India and these alone were able to command the markets of the then known world.

But this type of economic organisation has been looked upon as crude and unchanging, and hence it has been discredited in the West. We know that the type of economic

organisation that is obtaining in the West is the large scale production. A discussion of the merits and defects of the system would be only superfluous in this connection. Suffice it to remark, that this type is not viewed with so much favour of recent years, as it was used to, in former days. Ever since the days of Ruskin and Carlyle, the woeful nature of the system has been brought to the notice of mankind. The capitalists of England and the kings of America, have often been and are, the objects of scorn and rebuke.

‘ Western society in its feverish pursuit of wealth, that is, of the means of luxury, misses the well being, which is the end and goal. Life is more than meat. Specialisation breeds pettiness, an arid mind, thinking with the spinal cord instead of the brain.’

This opinion of Radhakumal Mookherjee, is but the echo of the millions of voices which curse the system in the West itself. The origin of Socialism, has one of its causes in the evils of large scale production.

The Western world is itself in a state of transition. They have begun to repent and this can be seen in the several movements that have begun in the West, e.g., ‘ Co-operative movement, the arts and the crafts movement,

the movement for profit-sharing and co-partnership all showing the increasing desire, to once more relate the life of the people to the land '.

Having thus far considered the condition of India and the position of the system of large scale production in the West, the conclusion is inevitable, that, the economic type of organisation as represented by the system of large scale production cannot advisedly be introduced, if we wish to avoid the evils for which purpose, the above societies have been started in the West

The factors that militate against such an introduction are manifold Chatterton rightly observes —“India has not yet accepted the factory system, nor will it do so willingly, the undivided family has to be reckoned with, and the extreme subdivision of property, renders productive effort on a large scale difficult ”

This is further elaborated by R M Mookherjee in the following words —‘The methods of Western industrialism cannot be adopted without the disintegration of caste and family The adoption of such presupposes the Western outlook on life ’ “The contractual type of relations between man and man, which western industrialism presupposes cannot be

substituted for the existing type, based on status, sanctified by traditional customs and usages, and supported by popular songs, romance, and folklore "

By adopting this system in India "the people will not be able to work them successfully The particular physical and social environments which requires its characteristic type of economic organisation for perfect adoption, will re-evolve the type, *after a period of forced interference and substitution, and consequent stagnation and degeneration* (the italics are ours)

It is quite true, as the Gaekwar observes that "it is the cottagers, more than the agriculturists or the mill and the factory labourers that are most impoverished in these days, and are the first victims to famines Hence any comprehensive plan of improving the condition of our industrial classes must therefore seek to help the dwellers in cottages "

Against all this a possible question may be asked 'can we on this score avoid large scale production altogether?' Apart from the question of impossibility it is not advisable to do so Certain industries such as glass, paper etc, should profitably be carried on a large scale We are well aware of the

merits of large scale production as "The complete discordance of this, may ultimately prove most disadvantageous

"As there is a field for Indian labour, which can be developed by a judicious combination of the man with the machine the former should be trained to afford the fullest possible play to his God-given faculties and mechanical ingenuity should be directed to providing him with the means, to exercise those faculties to the greatest possible advantage "

India should pursue a *via-media*, neither adopting the wholesale commercialism of the West, nor "leaving the artisan severely alone, to his sure and ultimate discomfiture "

When after this, we conclude, that the cottage industries or broadly speaking the small scale production, should be revived in India, we shall here try to enumerate briefly the conditions favouring this There is a cry against the dearth of Indian capital But for small scale production, the required capital is only small, and hence it will be easier to start It will facilitate low prices The condition of our agriculture, leaves the cultivators out of employment, for several months in the year This vast amount of surplus labour, might be utilised in favour of the home or

cottage industries in our areas. It is clear, that if the villager be allowed to work at home and with his family, he will be willing to, and practically does work longer hours, than when he is compelled to work as an operative in a factory. Again, the women of the home also, can hope to give assistance to the male members (as it still exists) during the intervals of their domestic work.

The negative causes that favour the revival of small scale production or cottage industries, can also be profitably enumerated here.

The prevalent suspicion and mistrust, prevent any organisation on a large scale. *This is largely due to the want of education,* and the system of education in those places where it exists. There is a good amount of truth in the remark of Chatterton, "No man trusts his neighbour and seldom his brother." The second cause is, the absence of large capitalists. Another cause is the feeble banking system. This will be dealt at length in a later section. The social customs, as attested by the joint family system and the fortunate absence of the law of Primo geniture, is a fourth cause. Together with these, we may add the fluctuating character of the season, and the intermittent supply of raw produce.

After this much of discussion, we may reasonably conclude that it is possible, advisable, and necessary to revive the cottage industries of India

We are glad to learn that the Government of Madras have taken the initiative in this direction. A recent G O shows that the Government have begun to revive the handloom weaving industry. On the suggestions of Mr Davies the former Director of Industries and Mr Campbell the present one, the Government have sanctioned the employment of 12 weaving parties, to demonstrate throughout the presidency the future possibilities of this once glorious industry, with the help of improved methods and appliances. We hope that such constructive work will be undertaken with regard to all the other dying or dead industries not only in this presidency but also throughout India

CHAPTER III

THE FISCAL QUESTION

This question is as much political as economic. This inter-connection between politics and economics has been well brought out by the statement that "the Banker, the Director,

the Manager, the Scientific advisor, the Professor or the workman has no time or desire to sit on the councils of the State, but he has always his eye as well as his thumb on the man who sits there ”

That such a state of things is both inevitable and desirable can be clearly seen from the history of England. Again that such conditions do not prevail in India is also perfectly clear. The cry for Responsible Government has one of its causes in the annual economic drain of India. Every student of Indian economics should know that this economic drain is as much due to political as to economic causes.

Confining our attention for the present on the latter cause, we shall here examine, the problem at some length, whether Free Trade or Protection would decrease this drain. For a proper study of the subject, it will be better to present the arguments for both the policies.

The advocates of Protection base themselves on the following arguments —The so called ‘ International Commerce ’ is of a ruinous nature in so far as it possesses all the characteristics of a struggle for life and existence. If any country should prove inferior to others in all branches of production or at

least in a major portion of them, the result would then be, the transfer of the whole capital and the population to those countries that had triumphed. The possible superiority in one branch of production is not after all a desirable state of affairs. The same evils that will be attributed to specialisation in individuals, apply equally and with far greater emphasis to nations. Imports if they are not properly counter-balanced by equal exports, would mean a debtor country. Again good economists have advocated the view that customs duties are the best kind of taxes. Infant industries can hope to succeed in these days of open competition, only when they are guarded by a protective wall around. Lastly but with an equal force, they say that we cannot expect a nation to permit its own destruction for the sake of mankind as a whole, and in support of the last they quote —“Adjust the people of each nation to its own environment and mankind will be better adjusted to natural conditions of the world than in any other way.”

The truth or the falsity of the above arguments is best answered by those of the Free traders themselves

Protection is felt nowadays to be more

necessary for the strong nation than for the weak. Nations like England and Germany desire to adopt or continue Protection, because, they fear that new nations which have the advantage of possessing a virgin soil, and a possible abundance of resources, may in a short time drive them out. Secondly, it is foolish to think that any nation is likely to be inferior in all branches of production. If such a nation really exists it is neither possible for Protection to make it happier, nor capable to make it richer. Thirdly international commerce tends always and ultimately to take the form of barter. Again if imports are prohibited there is sure to be a rise in prices which will be a grave evil. With this rise in prices has to be coupled the higher cost of production involved in a policy of Protection. Reduction of imports necessarily means reduction of exports also. The industrial progress of the nation adopting Protection, will only be slow in the absence of any competition. To add to all these, there is every possibility of other nations closing their doors against the one which had its door closed against them. This would further result in tariff wars.

Such in brief outline are the arguments of Free traders and Protectionists. Basing

ourselves on these arguments, let us now consider the condition of India. It is quite true that India possesses abundant resources. But the same conditions that had hitherto made her useless still continue to exist. The argument that no nation can be deficient in all branches of production, has but the weight of its words to commend it, for we have the standing example of our only national industry—agriculture. Even agriculture is deficient as regards the processes of cultivation and the yield. It is certainly true that international commerce tends *ultimately* to take the form of barter. But what can India hope to possess in the future for her to exchange. Even her one support, agriculture, is but in the process of decay. Also, the word *ultimately* may be as far away as the Brotherhood of man or the Sisterhood of nations. As rise in prices and higher cost of production can never be, nor hope to be permanent, the argument has no force. Besides Protectionists are fully aware of this, and they are willing to get protection even at the cost of these. That the progress will be slow, can be refuted by saying that it will also be steady and sure. The retaliatory possibility has no doubt some truth. But on this score alone, we cannot

advocate Free trade. Lastly, the possibility of a war can never do away with the necessity of a thing. It can but modify it.

We know as a matter of fact that Free trade has had an almost ruinous influence on India. Her industries have disappeared. India has been forced to remain a country supplying raw materials to foreign markets.

When we thus do away with the continuance of the Free trade policy for India, we are not sure whether Protection will give us all that we desire. May it not end in worse circumstances? Protection cannot be the panacea for all the economic ills. Can India, at this stage, hope to profit by the change of policy? India is not yet fully equipped. There is some truth in the statement, that the industry accustomed to state aid can ill afford to stand on its own legs. There must be and there are articles which India is not fitted to produce at present. A policy of Protection would be fatal in this connection.

From our foregoing consideration, it may seem that neither Free trade nor Protection is good for India.

The Government of India did not care about this problem for a long while. The cry for a changed policy from economists and

politicians fell into deaf ears. But the cry was not destitute of any good result.

Failing in the hopes of a better policy, despondent of any favourable reply from the Government and fearing the evils of Protection, the people started the Swadeshi movement.

This word has been misunderstood by many and this movement has been the cause of much confusion and alarm. As much depends on a proper understanding of the word and the movement, we shall here attempt at an explanation of both.

Swadeshi in the words of the great Art critic of India, Ananda K. Koomaraswamy, means "own country." Briefly expressed the object of the movement is to check the drain on Indian capital, involved in the purchase of imported goods, by manufacturing the said goods locally, replacing the removal of money from Indian shores by a circulation of money within the limits of India herself.

The late lamented Mr. G. K. Gokhale speaking on this movement observes that it requires to be served in a variety of ways, according to our needs.

"One who tries to spread in the country a correct knowledge of the industrial condi-

tions of the world and points out how we may ourselves advance, is a promoter of the Swadeshi cause. Again, one who contributes capital to be applied to the industrial development of the country, must be regarded as a valued supporter of the Swadeshi movement. Thirdly, those that organise funds for sending students to foreign countries for acquiring industrial or scientific education, together with those, that proceed to foreign countries of themselves, are also noble workers in the Swadeshi field." But these three ways are practicable only to a few. There is a fourth method in which every one in the country without exception can participate.

"It is to use ourselves, as far as possible, Swadeshi articles only and to preach to others that they should do the same." Those that thus go about and preach are engaged in a sacred work and I say to them—go forward boldly and preach your gospel enthusiastically."

When thus the movement is understood, we think that there will be little difficulty in finding millions of sympathisers. The adverse criticism of the movement has been due to the combined causes of ignorance, jealousy, and misdirection, ignorance caused by the

changed angle of vision, jealousy caused by the prospective failure of the successful exploitation and misdirection caused by excess of passion rather than of reason in some persons. The last has something to do with "Boycott"

"Boycott" is a necessary consequence of a successful Swadeshi cause. But it should not be preached. Swadeshi is a sacred cause. It is a binding duty on all Indians. The sacred nature of the cause will disappear if it is associated with anything harmful. Active boycott is a destructive programme. Those engaged in it are bound to fail. The combination of Swadeshi and active boycott is another cause for the misunderstanding of the movement on the part of certain high officials in India and elsewhere. This idea has been well brought out by the statement that—"Swadeshi must be inspired by a broad and many sided national sentiment and must have definitely constructive aims, where such a sentiment exists, Industrial Swadeshi will be its inevitable outcome without efforts and without failure."

As already observed this Swadeshi movement was the inevitable consequence of the absence of any change in the fiscal policy by

the Government, further aggravated by their diplomatic silence, or hopeful promises never realised. This is further explained by the following quotations —

Dewan Bahadur Ambalal Desai says "Since Britain is not at liberty to afford economic protection in any form to Indian industries, the people ought, therefore, to step into the vacuum and do by voluntary protection what the state might have achieved in an easier way by tariffs and bounties."

R C Dutt "If we succeed in this noble endeavour we shall present to the world, an instance unparalleled in the history of modern times of a nation protecting its manufactures and industries without protective duties."

G K Gokhale "When we come to this question of India's industrial domination by England, we come to what may be described as the most deplorable result of British rule in this country. Every year thirty or forty crores of rupees go out of India never to come back. No country, not even the richest in the world, can stand such a bleeding as this. Swadeshism at its highest is a deep, passionate, all embracing love of the motherland and this love seeks to show itself not in one sphere of activity only, but in all, it in-

vades the whole man and it will not rest until it has raised the whole man " "My own personal conviction is, that in this movement we shall ultimately find the true salvation of India "

We have so far shown that free trade would be ruinous to India if it is continued any longer We have seen that protection too, has its own evils and hence we do not advocate a thorough change for protection, for the problem stares us in the face, that so long as the administration remain in the hands of the British whether the exclusion of British manufacture will be able to exclude also British capital and the British manufacturer Hence we observed that the Swadeshi scheme was started Having also explained the meaning and the purpose of the movement we can easily dispose of the shortsighted remark of Mr Chatterton

" During the last half of a century the material progress of India has been of a most satisfactory character and the recent cry for industrial development comes from a small minority of unemployed educated people, who have not yet found a suitable niche for themselves "

To say the least, our readers will concur

with our opinion of the passage as rather prejudicial to the author's erudition and his sense of logic

We should have practically closed with this problem with only a few more remarks but for the war and its as yet visible results

Since Free Trade has proved itself a failure and as the adoption of Protection would but be a leap from the frying pan into the fire, what is called Imperial Preference or Preferential tariff is at present considered as the only remedy

As the space at our disposal does not admit of a detailed discussion, we shall have to be content, with but pointing out its effects on India. The policy, here advocated, aims, either at the revival of British manufacture, or a comparative advantage of the Allies as against the enemies, or a better provision for England and Her Colonies as against the outside world

None of these ever consider the Indian condition. The adoption of any one of the above methods does not take into consideration its effects on Indian industry. When the whole continent of India is crying for her industrial development, the administrators into whose hands the destinies of 350 millions

have been entrusted, do not seem to devote a moment of their attention to the miserable condition of India. Free Trade or Imperial Preference will have just the same result on India unless the State takes it into itself the binding duty of fast reviving old industries and starting up new ones.

But this is to a little extent incompatible with the objects of Imperial Preference. So long as the spirit of administration remains what it is, there is little hope for improvement. Hence do we repeat that the cry for Responsible Government is but the necessary consequence and supplement of the economic question.

So far, we have shown that the continuance of Free Trade or the adoption of complete Protection or again the acceptance of Imperial Preference will not be of any good to India. It is well known that our country is overrun by exploiters of other lands ' that organised foreign competition on the one hand, and lack of business organisation and manufacturing facilities on the other entirely debar us from taking advantage of the opportunities now presenting themselves for the capture of foreign markets, and make our chance of capturing even the limited home

market, in competition against foreign manufacturers, extremely remote' Hence there is only one course left for us, that is, Protection to that extent which will safeguard our already decadent industries from further decay Even Mr D E Wacha considers that some Protection is required for the old industries to be revived and for new industries to be started There are no doubt certain tendencies in this direction But much depends upon the system of administration

G K Ghokale says —“ After all, the industrial problem, formidable as it is, is not more formidable than the political problem And to my mind the two are largely bound together ”

Fiscal autonomy alone can assure us success But this can only be a dream in the distant future—So long as we recognize the different processes it has to undergo through the hands of the Viceroy and the Secretary of State Hence Mr V G Kale has rightly sounded the note of alarm in the following lines ‘ Fiscal autonomy for the Government of India, popular control of that Government in India, partnership of this country in the imperial organisation on a footing of equality with the other component parts of the Empire,

and Imperial consolidation for the purpose of defence and peaceful progress, are issues which hang together and they cannot be separated and handled piecemeal ”

In conclusion it is prayed that the administrators of this country in their attempt at the so called reformation of the world, will recognize that India is in the world and a part of the world and that the ce-sation of India from England would mean untold loss to both the countries while their connection would be of enormous benefit

CHAPTER IV

TECHNICAL EDUCATION

Another most important factor in our proposals for the industrial regeneration of India, is the furtherance of education in general and of technical education in particular. This has a positive destructive element in it. The present system of education has to be radically altered

Lord Curzon is reported to have said .—

“ What is the source of suspicion, superstition, outbreaks, crime, and also much of the agrarian discontent and suffering among the masses? It is ignorance, and what is the only

antidote to ignorance?—knowledge In proportion as we teach the masses, so shall we make their lot happier and in proportion as they are happier so will they become more useful members of the body politic

To-day, education has not reached the masses and in the almost negligible proportion of the population, who have had some education, suspicion and discontent have been intensified The fault, we feel no hesitation in placing upon the system of education and not on those that are educated The true aim of education should be in the words of Sister Nivedita —

“ Our conception of education must have a soul It must from a unity It must take note of a child as a whole, heart as well as mind, will as well as mind and heart Unless we train the *feelings* and the *choice* our man is not educated He is only decked out in certain intellectual tricks, that he has learnt to perform By these he can earn his bread. He cannot appeal to the heart or give life He is not a man at all, he is a clever ape ”

The present system of education observes Chatterton, “ has failed lamentably to produce men of action with balanced judgments and sound constructive faculties The memory

rather than the imagination controls thought, and in the absence of experience, responsibility is declined "

Thus the failure of the present educational policy in the higher circles, as much as the total absence of it in the lower planes, have contributed to this miserable state of affairs. We are at present made good writers and we know how to vomit forth, a few passages from here and there. One has to make himself a man by himself. If only education is understood and taught in the light of the words of Sister Nivedita, much of the cloud of ignorance that now hangs over us will be scattered, and we can hope to have a clear sky above us. The spread of primary education to all classes down to the so called 'untouchables' is a very serious necessity, which does not admit of a moment's delay any longer.

Having thus far spoken on general education, let us turn to *technical education*

First and foremost, the present indifferent and in certain circles even a contemptuous attitude towards technical education should be made to vanish, by making the advantage of this system widely known. Now that the people as a whole, have slowly begun to realise

their degenerate condition, the task will be so much the easier

This task of educating the public of this country in the industrial problems, conditions and possibilities are being partially carried on, by the annual gathering of the industrial conference. In this connection we can only wish for its everlasting continuance and success

We can and should establish special bureaus or departments whose business will be to publish a periodical literature, bearing (a) on statistics and other information regarding the internal and over-seas trade, (b) experiments that have been made together with the causes of their successes and failures, (c) the quality and conditions of the labour obtainable, and (d) suggestions for improvements etc. This object can better be accomplished if the literature be published in the different vernaculars of the country, that it may whenever possible be utilised by the masses also

It will also be a profitable task, if each district will form a small club of earnest students, who will gather the available statistics and submit them to the authorities concerned, with suggestions and proposals

More important than all these is the

widening of the opportunities for learning trades in the right way, by the establishment of Technical Schools and Colleges which are at present miserably few when compared with the needs and the area of the country. Treating about Scientific and Technical Societies, the Industrial Commission start with the statement "We desire to attract attention to the almost complete absence of Scientific and Technical Societies in India."

Thus the fewness of the institutions and the almost complete absence of societies, contribute a great deal to the inefficiency of Indian labour and the waste of much precious time. Government help in this direction did not much improve the condition. While in the important centres of trade and other cities, schools and colleges should be established for the practical training of students, it should be extended also to the remotest village. In villages and other centres where cottage industries prevail, special schools should be started, where the pupils in addition to their primary education may be trained in the several crafts in which they are engaged. They may be made conversant with up-to-date methods and improvements. The quality of their work may thus be im-

proved If this system continues for an appreciable period of time, the quantity too will necessarily increase and the productive capacity of the nation can be made greater

It will not be considered as out of place, if we put in here a note of warning The profession of the pedagogue is clearly one not to be coveted, under the existing conditions The bar is already overcrowded There are enough of lawyers in India, why, in the Madras Presidency itself, to meet the needs of the whole of India and some of the other smaller countries too May we pray that the younger generations will find the necessity of the request and strive for it?

Technically trained men are wanting It has been remarked that the entrepreneur is conspicuous by his absence in India Again there is a complaint that even the trained Indians have as Mr Kale, wittily remarks, "usually a bone developed in their backs which does not allow them to bend for actual hard work"

Theoretical knowledge without practical training cannot assure us success Hence dignity of labour has to be taught in the majority of the cases Unfortunately to day even educated Indians possess a false notion of labour.

The Brahmin thinks, that the spade and the pickaxe do not exist for him. It will not be wrong to remind him that only two generations ago, our grandfathers spent almost the whole of the day time in their fields. Even to day it is the case in several villages. 'Talk without action' is the charge that has often been levelled at the Indian. There is some truth in it. Everybody recognises the dignity of labour and speaks of it in glowing terms. When it comes to the practical side of the question, the gentleman is borne upwards by a subterranean wind.

Much can be achieved if only we will recognise the dignity of labour. The false notion of pride and position, the unfortunate caste prejudices based on narrow motives about caste, and class predilections have all to be discarded alike, if only we wish to elevate Industrial India.

It is also true that some practical men are not given enough opportunities in India. This is due on the one hand to the want of industrial enterprise by Indians and on the other to the low pay and position which is usually given to them by the Government and other European firms and other factories. This will only vanish, when the race

and the colour bar is wiped out. The white man recognises to-day the false foundation on which his superiority is based, and he has also been convinced of the futility of such an idea. Now certain reputed companies, e.g. Tata's have consented to take in really good men and on this hope was started the National College of Commerce at Madras, which for want of adequate support suffers under many disadvantages.

As to the absence of the entrepreneur, there is only one remedy—sending our men to foreign countries. It was only after 1901 that measures were taken to institute scholarships for enabling Indians to go to England and America for special training. But it has not proved a success hitherto.

In addition to the facility afforded within the country itself, if we find funds enough to send some of our best men to foreign countries, it will be of immense source of help for the regeneration of Indian industries. The cost should be borne by societies formed for this purpose (as there are some at present, e.g. the Deepavali collections) to which societies, all industries that are now firmly established, should contribute a systematic quota.

CHAPTER V

BANKING

The business of banking was known to India even during the early stages of our history. The Hindu Rajahs and Chieftains were accustomed to obtain large loans which were readily supplied on the security of the Government revenue. Their place is now taken by Mahajans, Chetties, and Sowkars.

Of recent times, the Presidency and the Exchange Banks have monopolised much of the banking business of the country. While in certain cases, Government regulations regarding the conduct of these banks, are not of sufficient elasticity, in others the banks themselves do not afford equal facilities for all. To say the least class hatred and racial prejudices stand much in the way of any appreciable contribution to the industrial regeneration of our country.

At the root of every scheme for the improvement of India in any direction lies the problem of finance, and in the matter of industrial advancement, this is the most vital consideration. All schemes for the expansion of Indian industries that have been meditated or partly realised, suffer from want of finan-

cial aid This need is so keenly felt that one of the prime reasons for the failure of many enterprises, was lack of funds

Capital, it is said, in India, is most shy It is true that it is not forthcoming in the desired quantities The reasons are many, among them being, the want of trust and confidence, and past experience of failure owing to the lack of business knowledge and honesty Another reason that is advanced is the habit of hoarding on the part of the Indians But we cannot attach much value to this, because, it is not peculiar to India alone and secondly the total amount when divided by the population of the country is so small that it can almost be neglected Hoarding to any appreciable extent is present only in the case of Princes and great landlords, but these have so liberally brought out their wealth as can be evinced from the war loan and other free contributions in connection with it

Nevertheless, it is a fact that sufficient capital is not forthcoming to suit the industrial needs of the country The money lenders do advance capital, but they usually demand such a high rate of interest, besides other valuable enough securities, that the interest swallows up the profits, thus dis-

couraging honest enterprise Again, the Presidency Banks' Act of 1876, forbids the banks from advancing money for lengthy periods Moreover, the middle class industrialists find it extremely difficult to approach any one of these banks, for, the conditions required are to a certain extent of an unsatisfiable nature, besides the fact that the superior officers of these banks are all of them Europeans, with no sufficient knowledge of the language and the character of the applicants

To alleviate some of these difficulties, indigenous joint stock banks were formed with the result, that many of them failed owing to their unbusinesslike methods and too much of speculation The existing ones are very few when compared with the needs of the country

The Government in their desire to improve the economic condition of the Indian middle and the labour classes, were able to pass only two acts of a very restricted nature, The Land Improvements Loans Act and The Agriculturists Loans Act But these did not permit lending for any enterprise other than agricultural and even within this limitation, its working has been so unsatisfactory in view of the thousand formalities

with their consequent difficulties, that the poor agriculturists had to undergo, when approaching any Governmental official

Hence the following suggestions have been brought forward —

With regard to those banks whose directorate and superior staff consists of Europeans, it is urged that they should include within the staff, a few Indians also of known merit and standing that they may be of some appreciable help to the Indian industrialists. The transactions of the said banks would thereby be also increased

It is recognised on all hands that Government *intervention in the matter of helping* the existing industries and erecting new ones, is the most necessary and the only source of remedy. While it should encourage banks to lend capital to private enterprise for lengthy periods on the security of plant and machinery alone, it can also of itself provide with the initial necessary capital or it can itself be one of the shareholders. Besides the fact that the undertaking would be better conducted and would possess more chances of success, it has the further advantage of drawing out private money, as the individuals have more confidence in taking a share or otherwise provid-

ing funds in any business, which has government control or at least its supervision

In the matter of our Government taking on its own head, the entire responsibility of erecting any new industry or providing the initial capital to any private enterprise, certain discussions have taken place between high officials and among respectable authorities with noteworthy consequences. While some require only the allotment of a larger sum in the budget for the promotion of Indian industries and some modifications in the Presidency Banks Act, others desire, the organisation of a Central State Bank in India of the type of the Bank of France or the Reichs-Bank of Germany

The argument for and against the formation of a Central or State Bank are worthy of detailed study. But for our present purpose we should be content with this. As far back as 1876, the formation of a Central State Bank was proposed. When it was once again referred to the Chamberlain Commission, Mr Keynes, one of its members, drew up an exhaustive note, dealing with this question, wherein he mentions, the necessity and the utility of creating such a bank. The consideration of this proposal was postponed for

various reasons and after much deliberation on the problem the recent Indian Industrial Commission recommended the formation of another committee to advise on the nature and the extent of the necessary Government help and control in the matter of Indian industries

While we certainly admit the element of truth in the remark, that India does not need one Central State Bank carrying 'all the eggs in one basket,' but only more Indian Banks, yet we cannot fail to argue, that such a desirable state of things is at present impossible. The modification of the Bank Act does but satisfy a few conditions. The creation of the State Bank seems to be the only source of remedy for the present. Besides the utility of creating such a Bank, there can be no doubt as to the feasibility of the suggestion.

The hoards of India that lie outside our country can well find a better place within India herself, while this vast treasure will be at the disposal of the Indian peasants and artisans. The necessity for the creation of such a large bank has been shown by Tata's Industrial Bank. But it is only one, and its field of operation is but limited. Again in

view of the fact that the Post Office Savings Bank is becoming more popular, it is also suggested that a similar Savings branch, can be profitably attached to the Central Bank, while the Government may also transfer the deposits now in the Postal Savings Bank to the Central one

In conclusion we may observe, that, as a sound banking system should necessarily promote the economic well-being of the community, more Indian banks should be started and conducted on better lines than what we have known hitherto, while at the same time, our Government would do well to help as far as is within its power, the formation of such companies. The Central State Bank if created, should be of such a nature, as not to handicap the business of the indigenous concerns. Besides, the Government may also help the formation of such companies by appointing experts who will be ready to impart with their tried experience, the knowledge necessary, freely and impartially

The suggestions mentioned in the last para have to a great extent been materialised. In recent years and especially after the war, the number of purely Indian companies

have increased appreciably and in Madras Presidency alone, during the year 1919-20, no less than 70 new companies have been registered and are working on sound foundations. The total number now is 474, which are purely Indian concerns. Of these a major portion are banking concerns, and the remainder trading ones.

Regarding the Central State Bank, it is extremely gratifying to note the formation of the Imperial Bank of India with the following provisions. The elective portion of the Central Board is left to the shareholders to decide. The interest of the Indian tax payer is secured by the nomination of 4 non-official members in the central board. There are to be 25 branches of the Imperial Bank all over the country, etc. We hope that this will be of utmost use to the Indian people in general, and to the banking and trading classes of India in particular.

CHAPTER VI

CO-OPERATION

Co-operation is a remedy easily suggested by all. But it is the most difficult in practice. The cry for Co-operation finds utterance in the mouths of all thinkers, economists

and politicians, as the only and supreme source of remedy for our country. We ourselves have observed this often in the foregone pages.

As we have said that the creation of more Indian banks or the erection of a Central State Bank or both together are the urgent needs with regard to large industrial undertakings, so Co-operation is the only source of remedy for the poor agriculturists and the helpless artisans. While large scale production requires big sound banks, small scale and cottage industries, stand in need of Co-operative societies in various forms and for several distinct purposes.

The moral and material advantages that will accrue from this has been best brought out by the statement "The theory of Co-operation is briefly, that an isolated and powerless individual can, by association with others, and moral development, and mental support, obtain in his own degree the material advantages available to wealthy or powerful persons, and thereby develop himself to the fullest extent of his material abilities."

As we have also observed elsewhere, the small agriculturist and the poor artisan are working against odds. They cannot now ex-

pect the old social and industrial systems Caste system as an economic organisation is nowhere to be seen Village autonomy is but an archaism In these days of open, merciless, and world-wide competition, the cottage worker finds his place hopelessly insecure Again, the rapid evolution of India to a mainly agricultural country, is most disadvantageous to the small industrialist, who only a few decades ago, could well afford to spend only a few hours a day at his work But now a whole day's hard work does but partially feed his single stomach Together with these the Government seem to hold the motto "Let sleeping dogs lie" Without knowing the condition of the Indian peasant and the nature of the produce, and which is worse, without heeding to the cry of several suffering innocents, the rigidity of the Land Revenue System remains fixed, and any contemplated change in it, may be but a fall from the frying pan into the fire This equally affects the village artisan, the cottage worker and the miserable peasant.

To alleviate the suffering caused by the causes referred to above, Co operation is the only remedy "The intimate connection between co-operation and the improvement of

agriculture and cottage industries cannot be too strongly emphasised."

In spite of the fact that ever since the Co-operative Societies Act of 1904, Co-operative societies have made headway, the Industrial Commission in their report could only say "The scale on which the Co operative Credit Societies are at present working is very small, when compared with the vast field for their services, offered by the millions of small agriculturists and village artisans in India "

From a survey of the societies that are working at present on sound principles the utility that they afford is almost striking and the necessity for the extension of such societies is apparent enough. Bombay perhaps heads the list in the development of the co-operative movement. The present number is nearing 2400. Apart from Co operative Credit Societies, societies for the purchase and sale of the indigenous produce seem to be more necessary. But here a note of warning may not be out of place. Taking advantage of the spirit that now prevails among the people, some such societies try to oversell the articles ignoring the purpose for which they were formed, and caring only to increase the dividend of each shareholder as

high as possible. The shareholders are prayed to be content with a small profit, thus fostering in themselves the spirit of self-sacrifice, lest such societies should revolt against the accepted definitions and objects.

Regarding the working of such societies, on a national basis, a similar policy as suggested in connection with banking, has been advocated—each district to have a central Credit Society to which the rural unions would be affiliated on a joint stock basis and so on. The practical application of this suggestion has not failed and we may hope that this will be extended throughout India.

In connection with the purchase and sale of the indigenous produce, it is well to note, that societies formed for this purpose are working admirably and the few societies that have failed, have disclosed their causes to be manipulation and mismanagement. We have at present two kinds of such societies—societies formed by the workers themselves for the sale of their produce, and societies that purchase the whole produce on a contract basis and sell them independent of the producers. Among these, the latter are more common than the former.

Government help in this direction too,

need not be disfavoured. If only they will accept and keep to the spirit with which the Industrial Commission observe, we can well look to its support, for they say, "One of the duties of the Director of Industries should be to initiate industrial societies especially in cases where fresh ground is being broken and to afford assistance to them, in technical and commercial matters after they have been started." "The Director of Industries should be responsible for advising the societies on matters involving technical detail on the provision of new markets for products and on the commercial aspect of proposed schemes." "The intimate connection between co-operation and the improvement of agriculture and cottage industries cannot be too strongly emphasised, and the officers who control these three branches of administration must recognise this connection and develop it by keeping very closely in touch with each other, if they are to achieve genuine success in the discharge of their duties."
